Sunway (SWB MK)

1Q26: In Line; Balance Sheet Headroom Improves

HOLD (Downgraded)

Share Price	RM5.24
Target Price	RM5.70
Upside	8.8%
Previous TP	RM5.62

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Highlights

- Results are within expectations as 1Q is typically a seasonal weaker quarter for the property and healthcare segments.
- Sunway saw a strong start to property sales and launches, with 1Q26 achieving 33%/44% of the full-year targets respectively. The remaining launches for the year will be led by Johor, which should fare well on sustained optimism ahead of the RTS link's commencement.
- Downgrade to HOLD with a higher target price of RM5.70. Near-term upside appears limited on rich valuations after the SHH listing and unsuccessful IJM takeover offer, alongside potential cost headwinds.

1Q26 Results

Year to 31 Dec (RMm)	1Q26 (RMm)	4Q25 (RMm)	1Q25 (RMm)	qoq % chg	yoy % chg
Revenue	2,557.5	2,319.1	2,367.0	10.3	8.0
Property Development	653.6	457.2	263.3	43.0	148.2
Construction	794.5	737.2	1,238.1	7.8	(35.8)
Property Investment	266.2	283.6	246.4	(6.1)	8.1
Healthcare	90.8	n.a.	n.a.	-	-
Pre-tax Profit	9,558.2	698.0	304.1	1,269.5	3,043.0
Property Development	102.2	253.2	33.4	(59.7)	206.1
Construction	159.1	162.5	114.5	(2.1)	38.9
Property Investment	92.4	130.9	92.3	(29.4)	0.1
Healthcare	31.1	96.9	31.8	(67.9)	(2.1)
PATAMI	9,413.6	502.3	190.6	1,773.9	4,840.1
Core PATAMI	215.8	401.3	205.4	(46.2)	5.1
Pre-tax Margins (%)	%	%	%	+-ppt	+-ppt
Property Development	15.6	55.4	12.7	(39.8)	3.0
Construction	20.0	22.0	9.3	(2.0)	10.8
Property Investment	34.7	46.2	37.5	(11.5)	(2.8)
Healthcare	34.3	n.a.	n.a.	-	-

Source: Sunway Bhd, UOB Kay Hian

Analysis

- **In line.** Sunway Berhad (Sunway) reported 1Q26 core net profit of RM216m (-46% qoq, +5% yoy) on revenue of RM2.6b (+10% qoq, +8% yoy). The results accounted for 17% of our and consensus full-year forecasts, which we deem in line as we expect stronger quarters ahead. Our 1Q26 core net profit excludes the RM9.2b one-off gain, mainly from the remeasurement of previously held equity interest in SHH Group upon consolidation.
- Net gearing ratio decreased qoq and yoy to 0.3x (vs 0.48x as of end-Dec 25 and 0.41x as of end-Mar 25) due to higher total equity from the SHH consolidation.

Key Financials

Year to 31 Dec (RMm)	2024	2025	2026F	2027F	2028F
Net turnover	7,882.5	9,813.0	11,766.2	13,367.8	14,502.8
EBITDA	1,031.4	1,469.5	1,702.2	1,894.2	2,037.3
Operating profit	887.3	1,317.3	1,511.8	1,661.4	1,760.4
Net profit (rep./act.)	1,205.6	1,304.0	1,280.6	1,493.3	1,528.1
Net profit (adj.)	1,057.2	1,147.7	1,280.6	1,493.3	1,528.1
EPS (sen)	16.0	17.1	18.9	22.1	22.6
PE (x)	32.7	30.6	27.7	23.7	23.2
P/B (x)	2.3	2.2	2.1	2.0	1.9
EV/EBITDA (x)	36.4	26.8	22.1	19.9	18.4
Dividend yield (%)	1.1	1.1	1.1	1.3	1.3
Net margin (%)	13.4	11.7	10.9	11.2	10.5
Net debt/(cash) to equity (%)	43.5	51.1	36.5	33.4	29.9
Interest cover (x)	164.3	866.0	(14.2)	(8.1)	(6.7)
ROE (%)	9.4	9.8	10.5	11.7	11.5
Consensus net profit	-	-	1,284.0	1,391.0	1,466.0
UOBKH/Consensus (x)	-	-	1.0	1.1	1.0

Source: Sunway Berhad, Bloomberg, UOB Kay Hian

Stock Data

GICS sector	Industrials
Bloomberg ticker:	SWB MK
Shares issued (m):	6,760.4
Market cap (RMm):	36,709.1
Market cap (US$m):	9,339.5
3-mth avg daily t'over (US$m):	9.9

Price Performance (%)

52-week high/low				RM5.98/RM4.42
1mth	3mth	6mth	1yr	YTD
4.4	(3.4)	2.8	17.2	(1.6)

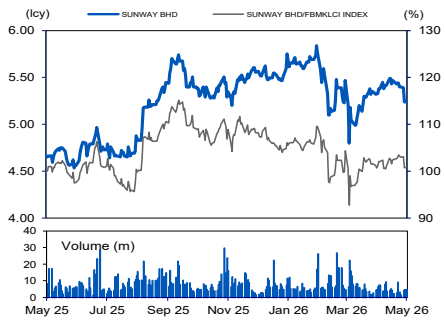
Major Shareholders

	%
Sungei Way Corp Sdn Bhd	47.2
EPF	11.0
Jef-San Enterprise Sdn Bhd	9.5

Balance Sheet Metrics

FY26F NAV/Share (RM)	2.51
FY26F Net Debt/Share (RM)	0.92

Price Chart



Source: Bloomberg

Company Description

A conglomerate in Malaysia with various diversified businesses in areas such as property development, property investment, leisure, hospitality, construction trading and manufacturing, quarry, building materials and healthcare.

- **Core property segment saw modest growth on a like-for-like basis.** 1Q26 property development profit before tax (PBT) was up 206% yoy to RM102m, driven by higher revenue, RM44m contributions from Sunway MCL and a RM23.1m net gain from the disposal of an education asset in Sunway Square. Excluding these two items, PBT would have been around RM35m, up 6% yoy.
- **Singapore launches lifted sales despite 1Q seasonality.** 1Q26 property sales came in at RM1.4b, accounting for 33% of its 2026 target and ahead of run-rate despite 1Q being a seasonally softer quarter. This was largely anchored by Singapore, which contributed around 70% of total sales. Launches totalled RM2.1b in 1Q26, or 44% of the full-year launch target. Pinery Residence made up 68% of launches and achieved a strong 93% take-up within one month of its launch as of end-Apr 26.
- **Johor to anchor remaining launches in 2026.** Looking ahead in 2026, the remaining launches will be predominantly in Johor (RM1.9b), comprising RTS Tower 3, serviced apartments at C2, linked semi-detached at L8, followed by Sunway Velocity 3 Tower C in KL (RM0.6b). Management is also exploring more JV opportunities and potential expansion into industrial land amid regulatory changes and cost headwinds. Unbilled sales stood at RM9b as of end-Mar 26, providing strong visibility against an annual revenue run-rate of RM1.5b-2.0b.
- **Healthcare: SMC Ipoh achieved EBITDA breakeven in Jan 26.** The segment's 1Q26 PBT declined by a marginal 2% yoy to RM31m, due to higher depreciation and financing costs after the commissioning of Sunway Medical Centre Ipoh in Apr 25. Excluding listing expenses, normalised EBITDA grew by a stronger 31% yoy to RM122m, supported by higher inpatient admissions (+15% yoy to 29,000), reflecting growing demand and licensed beds (+22% yoy to 1,805). Notably, its growing hospitals SMC Damansara achieved PBT breakeven in Jan 26, while SMC Ipoh achieved EBITDA breakeven in Jan 26.
- **Construction: Solid orderbook replenishment.** 1Q26 construction PBT rose 39% yoy to RM159m while margin rose 10.8ppt yoy mainly due to the finalisation of accounts for several completed projects. The drop-off and pick-up facility (DOPU), carpark and podium work for the Bukit Chagar RTS TOD project remain on track for completion by end-26, ahead of the RTS link's scheduled commencement on 1 Jan 27. Current outstanding orderbook stands at RM8.2b, with RM3.6b orderbook replenished in 1Q26 (vs RM6b replenishment target in 2026).

Valuation/Recommendation

- **Downgrade to HOLD with a higher target price of RM5.70 (from RM5.62)** as we roll over our valuation to 2027, after incorporating updated valuations for Sunway Construction, investment properties, and property development. Our target price is based on SOTP valuation with a 5% conglomerate discount, which implies 30x 2026F PE and 26x 2027F PE (+2SD above its five-year mean of 15.6x) and 2.3x 2026F P/B and 2.1x 2027F P/B (+2SD above its 10-year mean of 1.2x).

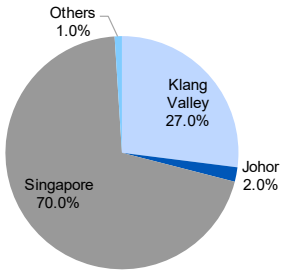
Earnings Revision/Risk

- We lifted our 2027/28 earnings by 1.8%/1.7% respectively for housekeeping purposes.

Environmental, Social, Governance (ESG)

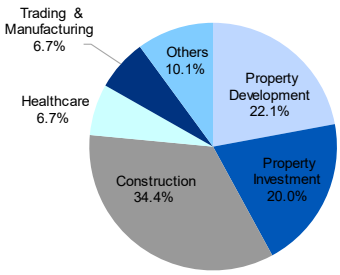
- Environmental - Installed photovoltaic solar panels at most of its properties.
- Social - Launched Sunway Cancer Support Fund.
- Governance - Good company transparency along with an anti-bribery and anti-corruption policy.

Property Sales By Geography In 1Q26



Source: Sunway Berhad, UOB Kay Hian

Core PBT Breakdown In 1Q26



Source: Sunway Berhad, UOB Kay Hian

Sotp-Based Valuation

Segment	(RMm)	% of SOTP	Remarks
Property development	13,172	33%	20% discount to property RNAV
REIT (40.9% stake)	3,921	10%	Valuation based on TP of RM2.8, based on DDM
Construction (53.2% stake)	5,571	14%	Valuation based on TP of RM7.88, 22x 2027F PE
Quarry & building materials	708	2%	15x PE 2027F quarry profits
Trading	1,745	4%	15x PE 2027F trading profits
Investment Properties	3,688	9%	Market Value
Healthcare (69.5% stake)	11,216	28%	20x EV/EBITDA 2027F; 2026F EBITDA RM807m
Less: Holding co (debt)/ cash	436	1%	
Total SOTP value	40,457		
Enlarged share base (m)	6,760		
Discount	5.0%		
Target Price (RM)	5.70		

Source: UOB Kay Hian

2026 Planned Launches

Project	Product Type	Location	GDV (RM million)
Sunway Serene Phase 2	Serviced Apartments & Superlink House	Kelana Jaya, Kuala Lumpur	525
Sunway Velocity 3 – Tower C	Serviced Apartments	Taman Maluri, Kuala Lumpur	584
Sunway Wellesley Phase 3	Serviced Apartments & Retail	Bukit Mertajam, Penang	95
Sunway Sakura Phase 2	Semi-D	Sunway City Iskandar Puteri, Johor	153
L8	Linked Semi-D	Sunway City Iskandar Puteri, Johor	420
C2 (F31)	Serviced Apartments	Sunway City Iskandar Puteri, Johor	500
RTS Tower 3	Serviced Apartments	Johor Bahru City Centre, Johor	977
Pinery Residences	Mixed development	Tampines Street 94, Singapore	1,448[1]
Sunway Gardens Phase 3	Condominium	Tianjin, China	112
Total			4,814

[1] Based on effective stake

Source: Sunway Berhad, UOB Kay Hian

Profit & Loss

Year to 31 Dec (RMm)	2025	2026F	2027F	2028F
Net turnover	9,813.0	11,766.2	13,367.8	14,502.8
EBITDA	1,469.5	1,702.2	1,894.2	2,037.3
Deprec. & amort.	152.3	190.5	232.7	276.9
EBIT	1,317.3	1,511.8	1,661.4	1,760.4
Associate contributions	558.8	183.9	222.1	103.5
Net interest income/(expense)	(1.7)	119.5	233.0	302.1
Pre-tax profit	1,874.4	1,815.2	2,116.6	2,166.0
Tax	(353.8)	(308.6)	(359.8)	(368.2)
Minorities	(216.7)	(226.0)	(263.5)	(269.7)
Net profit	1,304.0	1,280.6	1,493.3	1,528.1
Net profit (adj.)	1,147.7	1,280.6	1,493.3	1,528.1

Balance Sheet

Year to 31 Dec (RMm)	2025	2026F	2027F	2028F
Fixed assets	8,483.2	8,162.4	8,763.4	9,391.1
Other LT assets	8,988.2	8,436.3	8,658.5	8,762.0
Cash/ST investment	6,788.3	9,110.7	9,594.7	10,204.6
Other current assets	14,543.5	14,587.8	15,816.4	16,687.1
Total assets	38,803.2	40,297.2	42,833.1	45,044.7
ST debt	8,829.3	8,829.3	8,829.3	8,829.3
Other current liabilities	6,058.5	6,141.1	7,081.0	7,666.4
LT debt	6,172.1	6,472.1	6,772.1	7,072.1
Other LT liabilities	605.4	605.4	605.4	605.4
Shareholders' equity	16,057.3	16,942.7	17,975.1	19,031.7
Minority interest	1,080.7	1,306.6	1,570.2	1,839.8
Total liabilities & equity	38,803.2	40,297.2	42,833.1	45,044.7

Cash Flow

Year to 31 Dec (RMm)	2025	2026F	2027F	2028F
Operating	2,715.1	1,015.3	1,245.6	1,383.9
Pre-tax profit	1,874.4	1,815.2	2,116.6	2,166.0
Tax	(353.8)	(308.6)	(359.8)	(368.2)
Deprec. & amort.	152.3	190.5	232.7	276.9
Associates	(558.8)	(183.9)	(222.1)	(103.5)
Working capital changes	380.6	(378.3)	(288.8)	(285.2)
Non-cash items	1,220.4	(119.5)	(233.0)	(302.1)
Investing	(3,717.1)	1,282.8	(833.8)	(904.6)
Capex (growth)	(532.0)	(733.9)	(833.8)	(904.6)
Investments	(2,313.9)	1,281.0	0.0	0.0
Proceeds from sale of assets	1.5	735.7	0.0	0.0
Others	(872.7)	0.0	0.0	0.0
Financing	3,450.7	24.3	72.2	130.5
Dividend payments	(347.5)	(395.2)	(460.8)	(471.6)
Issue of shares	0.0	0.0	0.0	0.0
Proceeds from borrowings	4,140.0	300.0	300.0	300.0
Others/interest paid	(341.8)	119.5	233.0	302.1
Net cash inflow (outflow)	2,448.7	2,322.5	484.0	609.8
Beginning cash & cash equivalent	4,339.6	6,788.3	9,110.7	9,594.7
Changes due to forex impact	0.0	0.0	0.0	0.0
Ending cash & cash equivalent	6,788.3	9,110.7	9,594.7	10,204.6

Key Metrics

Year to 31 Dec (%)	2025	2026F	2027F	2028F
Profitability				
EBITDA margin	15.0	14.5	14.2	14.0
Pre-tax margin	19.1	15.4	15.8	14.9
Net margin	11.7	10.9	11.2	10.5
ROA	4.0	4.3	4.8	4.8
ROE	9.8	10.5	11.7	11.5
Growth				
Turnover	24.5	19.9	13.6	8.5
EBITDA	42.5	15.8	11.3	7.6
Pre-tax profit	23.0	(3.2)	16.6	2.3
Net profit	8.2	(1.8)	16.6	2.3
Net profit (adj.)	8.6	11.6	16.6	2.3
EPS	6.6	10.7	16.6	2.3
Leverage				
Debt to total capital	87.5	83.8	79.8	76.2
Debt to equity	93.4	90.3	86.8	83.6
Net debt/(cash) to equity	51.1	36.5	33.4	29.9
Interest cover (x)	866.0	(14.2)	(8.1)	(6.7)

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